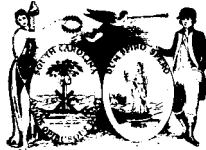


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

July 24, 2001

Ms. Lisa Frierson, Administrator
Dr. Ronald E. McNair Memorial Nursing Center
Post Office Box 1688
Lake City, South Carolina 29560

Re: AC# 3-RMM-J7 – Dr. Ronald E. McNair Memorial Nursing Center

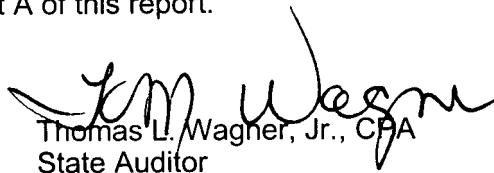
Dear Ms. Frierson:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1996 through September 30, 1997. That report was used to set the rate covering the contract periods beginning October 1, 1998.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

By request of the state medicaid agency this letter also serves as an official notice of your requirement to respond with a report of planned corrective actions on the recommendations and deficiencies noted in this report within forty-five (45) days of the date of this letter. Your response should reference the audit control number and be addressed to: Division of Home Health and Nursing Facility Services, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina, 29202-8206. You are also required to simultaneously furnish a copy of your corrective action report to the State Auditor's Office.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

DR. RONALD E. MCNAIR MEMORIAL NURSING CENTER

LAKE CITY, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1998
AC# 3-RMM-J7**

REPORT ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

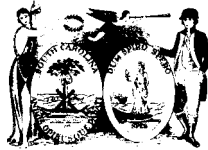
STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIODS BEGINNING OCTOBER 1, 1998	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 1998 THROUGH NOVEMBER 30, 1998	B-1	4
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIODS DECEMBER 1, 1998 THROUGH SEPTEMBER 30, 1999	B-2	5
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 1997	C	6
ADJUSTMENT REPORT	1	8
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	10
COMMENTS AND RECOMMENDATIONS		11

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

October 13, 2000

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Dr. Ronald E. McNair Memorial Nursing Center, for the contract periods beginning October 1, 1998, and for the twelve month cost report period ended September 30, 1997, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

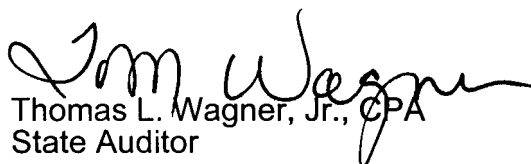
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Dr. Ronald E. McNair Memorial Nursing Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, Cost of Capital Reimbursement Analysis and the Comments and Recommendations sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Dr. Ronald E. McNair Memorial Nursing Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
October 13, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.


Thomas L. Wagner, Jr., CPA
State Auditor

DR. RONALD E. MCNAIR MEMORIAL NURSING CENTER

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1998
AC# 3-RMM-J7

	10/01/98- <u>11/30/98</u>	12/01/98- <u>09/30/99</u>
Interim reimbursement rate (1)	\$78.33	\$79.08
Adjusted reimbursement rate	<u>71.86</u>	<u>72.61</u>
Decrease in reimbursement rate	\$ <u><u>6.47</u></u>	\$ <u><u>6.47</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 3, 1999

DR. RONALD E. MCNAIR MEMORIAL NURSING CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1998 Through November 30, 1998
AC# 3-RMM-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$33.49	\$49.90	
Dietary		8.92	9.93	
Laundry/Housekeeping/Maint.		<u>7.11</u>	<u>8.11</u>	
Subtotal	<u>\$4.76</u>	49.52	67.94	\$49.52
Administration & Med. Records	<u>\$6.48</u>	<u>4.42</u>	<u>10.90</u>	<u>4.42</u>
Subtotal		53.94	<u>\$78.84</u>	53.94
<u>Costs Not Subject to Standards:</u>				
Utilities		2.21		2.21
Special Services		-		-
Medical Supplies & Oxygen		2.83		2.83
Taxes and Insurance		1.08		1.08
Legal Fees		<u>.14</u>		<u>.14</u>
TOTAL		<u>\$60.20</u>		60.20
Inflation Factor (3.60%)				2.17
Cost of Capital				7.49
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.11
Cost Incentive				4.76
Effect of \$1.75 Cap on Cost/Profit Incentives				(5.12)
Minimum Wage Add-On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$71.86</u>

DR. RONALD E. MCNAIR MEMORIAL NURSING CENTER

Computation of Adjusted Reimbursement Rate
For the Contract Periods December 1, 1998 Through September 30, 1999
AC# 3-RMM-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$33.49	\$49.90	
Dietary		8.92	9.93	
Laundry/Housekeeping/Maint.		<u>7.11</u>	<u>8.11</u>	
Subtotal	<u>\$4.76</u>	49.52	67.94	\$49.52
Administration & Med. Records	<u>\$6.48</u>	<u>4.42</u>	<u>10.90</u>	<u>4.42</u>
Subtotal		53.94	<u>\$78.84</u>	53.94
<u>Costs Not Subject to Standards:</u>				
Utilities		2.21		2.21
Special Services		-		-
Medical Supplies & Oxygen		2.83		2.83
Taxes and Insurance		1.08		1.08
Legal Fees		<u>.14</u>		<u>.14</u>
TOTAL		<u>\$60.20</u>		60.20
Inflation Factor (3.60%)				2.17
Cost of Capital				7.49
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.11
Cost Incentive				4.76
Effect of \$1.75 Cap on Cost/Profit Incentives				(5.12)
CNA Add-On				.75
Minimum Wage Add-On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$72.61</u>

DR. RONALD E. MCNAIR MEMORIAL NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1997
AC# 3-RMM-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,028,270	\$ 1,400 (1) 16,173 (3)	\$ 2,584 (3)	\$1,043,259
Dietary	277,386	457 (3)	-	277,843
Laundry	29,541	74 (3)	-	29,615
Housekeeping	131,301	411 (3)	-	131,712
Maintenance	59,957	80 (3)	-	60,037
Administration & Medical Records	333,677	20,734 (2)	64,734 (2) 42,436 (3) 1,451 (3) 108,000 (4)	137,790
Utilities	68,890	-	-	68,890
Special Services	-	-	-	-
Medical Supplies & Oxygen	88,219	-	-	88,219
Taxes and Insurance	41,883	-	8,245 (1)	33,638
Legal Fees	4,378	-	-	4,378
Cost of Capital	240,836	3,030 (6) 6,887 (7)	17,346 (5)	233,407
Subtotal	2,304,338	49,246	244,796	2,108,788
Ancillary	-	-	-	-

DR. RONALD E. MCNAIR MEMORIAL NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1997
AC# 3-RMM-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Non-Allowable	(56,845)	6,845 (1)	3,030 (6)	121,359
		44,000 (2)	6,887 (7)	
		29,276 (3)		
	<u> </u>	<u>108,000 (4)</u>	<u> </u>	<u> </u>
 Total Operating Expenses	 \$ <u>2,247,493</u>	 \$ <u>237,367</u>	 \$ <u>254,713</u>	 \$ <u>2,230,147</u>
 Total Patient Days	 <u>31,156</u>	 <u>-</u>	 <u>-</u>	 <u>31,156</u>
 Total Beds	 <u>88</u>			

DR. RONALD E. MCNAIR MEMORIAL NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 1997
AC# 3-RMM-J7

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable	\$ 6,845	
	Restorative	1,400	
	Taxes and Insurance		\$ 8,245
	To adjust general insurance expense		
	State Plan, Attachment 4.19D		
2	Nonallowable	44,000	
	Medical Records	20,734	
	Administration		64,734
	To reclassify expense to		
	the proper cost center		
	HIM-15-1, Section 2302.1		
3	Nonallowable	29,276	
	Nursing	16,173	
	Dietary	457	
	Laundry	74	
	Housekeeping	411	
	Maintenance	80	
	Restorative		2,584
	Administration		42,436
	Medical Records		1,451
	To adjust payroll taxes and		
	related fringe benefit allocation		
	State Plan, Attachment 4.19D		
4	Nonallowable	108,000	
	Administration		108,000
	To reclassify management fees		
	State Plan, Attachment 4.19D		

DR. RONALD E. MCNAIR MEMORIAL NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 1997
AC# 3-RMM-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Accumulated Depreciation	113,983	
	Cost of Capital		17,346
	Other Equity		96,637
	To adjust fixed assets and related depreciation expense HIM-15-1, Section 2304		
6	Cost of Capital	3,030	
	Nonallowable		3,030
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
7	Cost of Capital	6,887	
	Nonallowable		6,887
	To adjust capital return State Plan, Adjustment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$351,350</u>	<u>\$351,350</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

DR. RONALD E. MCNAIR MEMORIAL NURSING CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1997
AC# 3-RMM-J7

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.1814</u>	<u>2.1814</u>	
Deemed Asset Value (Per Bed)	34,069	34,069	
Number of Beds	<u>44</u>	<u>44</u>	
Deemed Asset Value	1,499,036	1,499,036	
Improvements Since 1981	368	367	
Accumulated Depreciation at 9/30/97	<u>(258,898)</u>	<u>(271,843)</u>	
Deemed Depreciated Value	1,240,506	1,227,560	
Market Rate of Return	<u>.067</u>	<u>.067</u>	
Total Annual Return	83,114	82,247	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	83,114	82,247	
Depreciation Expense	41,236	43,298	
Amortization Expense	-	-	
Capital Related Income Offsets	(8,244)	(8,244)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	116,106	117,301	\$233,407
Total Patient Days (Minimum 97% Occupancy)	<u>15,578</u>	<u>15,578</u>	<u>31,156</u>
Cost of Capital Per Diem	\$ <u>7.45</u>	\$ <u>7.53</u>	\$ <u>7.49</u>

COMMENTS AND RECOMMENDATIONS

Our agreed-upon-procedures identified certain conditions that we have determined to be subject to correction or improvement. We believe these conditions should be brought to your attention.

I. General Ledger

We determined that the provider did not adequately maintain detailed general ledger information to support certain account balances for the periods under review.

We recommend that the provider ensure adequate detailed general ledgers are maintained.

II. Owner/Relatives

During our review of payroll records we determined that not all owner/relative compensation was reported on page 3 of the Medicaid cost report as required by Department of Health and Human Services Medicaid guidelines.

We recommend that all owner/relative compensation be reported on the cost report.

2 copies of this document were published at an estimated printing cost of \$1.41 each, and a total printing cost of \$2.82. The FY 2001-02 Appropriation Act requires that this information on printing costs be added to the document.